

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-025
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Patricia Moore

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-025

26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Janice Taylor-Howard, President
Board of Directors
26th DAA, Amador County Fair
18621 Sherwood & School Streets
Plymouth, CA 95669

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 26th District Agricultural Association (DAA), Amador County Fair, Plymouth, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 26th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 26th DAA, Amador County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 26th DAA, Amador County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-025, on the 26th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 26th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read 'Ron Shackelford', with a long horizontal line extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office
May 5, 2008

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006

| | <u>Account Number</u> | <u>2007</u> | <u>2006</u> |
|--|---------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Cash | 111 - 117 | \$ 153,851 | \$ 130,450 |
| Accounts Receivable, Net | 131 | 46,289 | 26,989 |
| Inventory | 141 | 2,667 | 2,667 |
| Deferred Charges | 143 | 846 | 410 |
| Construction In Progress | 190 | 16,205 | 23,213 |
| Land | 191 | 9,764 | 9,764 |
| Buildings and Improvements, Net | 192 | 968,735 | 1,015,457 |
| Equipment, Net | 193 | 21,712 | 8,100 |
| TOTAL ASSETS | | <u>1,220,069</u> | <u>1,217,050</u> |
| LIABILITIES AND NET RESOURCES | | | |
| Liabilities and Other Credits | | | |
| Fees Collected - Insurance | 211 | 2,500 | 887 |
| Accounts Payable | 212 | 38,993 | 17,635 |
| Current Portion of Long Term Debt | 212.5 | 4,104 | - |
| Taxes Payable | 221 - 226 | 1,278 | 885 |
| Deferred Income | 228 | 28,860 | 19,785 |
| Guaranteed Deposits | 241 | 1,060 | 1,375 |
| Compensated Absences Liability | 245 | 29,941 | 13,998 |
| Long Term Debt | 255 | 15,564 | - |
| Total Liabilities and Other Credits | | <u>122,300</u> | <u>54,566</u> |
| Net Resources | | | |
| JLA Reserve | 251 | 29,158 | 20,243 |
| Net Resources - Operations | 291 | 67,759 | 85,707 |
| Net Resources - Capital Assets | 291.1 | 1,000,852 | 1,056,534 |
| Total Net Resources Available | | <u>1,097,769</u> | <u>1,162,484</u> |
| TOTAL LIABILITIES AND NET RESOURCES | | <u>\$ 1,220,069</u> | <u>\$ 1,217,050</u> |

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

| | Account Number | 2007 | 2006 |
|---|---------------------------|---------------------|---------------------|
| REVENUE | | | |
| State Allocation & F&E funding | 312 - 340 | \$ 150,000 | \$ 150,000 |
| Capital Project Funding/Reimbursements | 319 | 99,537 | 102,372 |
| Other | 340 | 40,000 | 83,671 |
| Admissions | 410 | 124,449 | 127,442 |
| Commercial Space | 415 | 28,010 | 28,760 |
| Carnival | 421 | 37,319 | 32,185 |
| Food Concessions | 422 | 66,735 | 65,968 |
| Exhibits | 430 | 30,063 | 27,991 |
| Horse Show | 440 | 24,924 | 25,031 |
| Attractions - Fairtime | 460 | 57,943 | 52,664 |
| Miscellaneous Fair | 470 | 110,567 | 104,135 |
| JLA - Revenue | 476 | 27,899 | 19,386 |
| Non-Fair Revenue | 480 | 104,706 | 116,182 |
| Prior Year Adjustment | 490 | 1,930 | 378 |
| Other Revenue | 495 | 31,597 | 30,181 |
| Total Revenue | | 935,679 | 966,346 |
| EXPENSES | | | |
| Administration | 500 | 212,651 | 191,234 |
| Maintenance and Operations | 520 | 272,944 | 271,908 |
| Publicity | 540 | 49,523 | 52,211 |
| Attendance | 560 | 61,329 | 72,091 |
| Miscellaneous Fair | 570 | 12,223 | 15,228 |
| JLA - Expense | 576 | 18,983 | 12,431 |
| Premiums | 580 | 30,994 | 29,048 |
| Exhibits | 630 | 37,933 | 35,826 |
| Horse Show | 640 | 22,526 | 21,399 |
| Attractions - Fairtime | 660 | 111,468 | 92,637 |
| Equipment | 723 | 5,194 | 20,219 |
| Prior Year Adjustments | 800 | 98,606 | (6,667) |
| Cash Over/Short from Ticket Sales | 850 | (331) | 723 |
| Depreciation Expense | 900 | 66,351 | 63,447 |
| Total Expenses | | 1,000,394 | 871,735 |
| RESOURCES | | | |
| Net Change - Income / (Loss) | | (64,715) | 94,611 |
| Resources Available, January 1 | | 1,162,484 | 1,067,873 |
| Resources Available, December 31 | | \$ 1,097,769 | \$ 1,162,484 |

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

| | <u>2007</u> | <u>2006</u> |
|--|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Excess of Revenue Over Expenses (Expenses Over Revenue) | \$ (64,715) | \$ 94,611 |
| Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities: | | |
| (Increase) Decrease in Accounts Receivable | (19,300) | 24,448 |
| (Increase) Decrease in Deferred Charges | (435) | (410) |
| Increase (Decrease) in Deferred Income | 9,075 | 16,389 |
| Increase (Decrease) in Accounts Payable | 22,971 | 583 |
| Increase (Decrease) in Current Portion of LTD | 4,104 | - |
| Increase (Decrease) in Compensated Absence Liability | 15,942 | 1,619 |
| Increase (Decrease) in A/P and Accrued Expense | 393 | 569 |
| Increase (Decrease) in Guarantee Deposits | (315) | 75 |
| Total Adjustments | <u>32,435</u> | <u>43,273</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(32,280)</u> | <u>137,884</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| (Increase) Decrease in Construction In Progress | 7,008 | (18,887) |
| (Increase) Decrease in Buildings & Improvements | 46,721 | (60,020) |
| (Increase) Decrease in Equipment | <u>(13,612)</u> | <u>(100)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>40,117</u> | <u>(79,007)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase (Decrease) in Long-Term Liability | <u>15,564</u> | <u>-</u> |
| Net Cash Provided (Used) by Financing Activities | <u>15,564</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH | 23,401 | 58,877 |
| Cash at Beginning of Year | 130,450 | 71,573 |
| CASH AT END OF YEAR | <u><u>\$ 153,851</u></u> | <u><u>\$ 130,450</u></u> |

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 26th District Agricultural Association (DAA) was formed in May 1922, for the purpose of sponsoring, managing, and conducting the Amador County Fair each year in Plymouth, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from

customers and remits the entire amount to the state Board of Equalization. The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|--------------------------|--------------------------|
| Petty Cash & Change Fund | \$ 1,410 | \$ 150 |
| Cash in Bank - Operating | 3,677 | 36,991 |
| Cash in Bank - Premium | 600 | 200 |
| Cash in Bank - ATM | 62,262 | 0 |
| Cash in Bank – Pay Pal | 100 | 100 |
| Cash in Bank – JLA | 17,171 | 19,399 |
| Cash in Bank – Time Deposits | <u>68,631</u> | <u>73,610</u> |
| Total Cash and Cash Equivalents | <u><u>\$ 153,851</u></u> | <u><u>\$ 130,450</u></u> |

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|-------------------------|-------------------------|
| Accounts Receivable - Trade | \$ 56,135 | \$ 36,370 |
| Allowance for Doubtful Accounts | <u>(9,846)</u> | <u>(9,381)</u> |
| Accounts Receivable - Net | <u><u>\$ 46,289</u></u> | <u><u>\$ 26,989</u></u> |

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------|-------------------------|---------------------------|
| Building & Improvements | \$2,637,885 | \$2,630,747 |
| Less: Accumulated Depreciation | <u>(1,669,150)</u> | <u>(1,615,290)</u> |
| Building & Improvements - Net | <u><u>\$968,735</u></u> | <u><u>\$1,015,457</u></u> |

| | | |
|--------------------------------|-----------------|-----------------|
| Equipment | \$72,934 | \$ 53,472 |
| Less: Accumulated Depreciation | <u>(51,222)</u> | <u>(45,372)</u> |
| Equipment - Net | <u>\$21,712</u> | <u>\$ 8,100</u> |

NOTE 5 **LONG-TERM DEBT**

The DAA has entered into two long-term loan agreements with California Fair Services Authority (CFSA) to finance the automated teller machine and the livestock scale. The terms of the agreement are as follows:

CFSA ATM Loan:

| | |
|-------------------------------|---------------|
| Loan Amount | \$ 10,000 |
| First Payment Date | November 2007 |
| Payment Amount | \$ 191 |
| Duration of Loan | 60 Months |
| Interest Rate | 5.50% |
| Total Outstanding at 12/31/07 | \$ 9,855 |
| Current Portion at 12/31/07 | \$ 1,795 |
| Long-Term Portion at 12/31/07 | \$ 8,060 |

CFSA Equipment Loan:

| | |
|-------------------------------|---------------|
| Loan Amount | \$ 10,000 |
| First Payment Date | November 2007 |
| Payment Amount | \$ 233 |
| Duration of Loan | 48 months |
| Interest Rate | 5.50% |
| Total Outstanding at 12/31/07 | \$ 9,813 |
| Current Portion at 12/31/07 | \$ 2,309 |
| Long-Term Portion at 12/31/07 | \$ 7,504 |

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service

for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

REPORT DISTRIBUTION

| <u>Number</u> | <u>Recipient</u> |
|----------------------|---|
| 1 | President, 26th DAA Board of Directors |
| 1 | Chief Executive Officer, 26th DAA |
| 1 | Director, Division of Fairs and Expositions |
| 1 | Chief Counsel, CDFA Legal Office |
| 1 | Chief, CDFA Audit Office |

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

MANAGEMENT REPORT #08-025

YEAR ENDED DECEMBER 31, 2007

26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Patricia Moore

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-025

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Janice Taylor-Howard, President
Board of Directors
26th DAA, Amador County Fair
18621 Sherwood and School Streets
Plymouth, CA 95669

In planning and performing our audit of the financial statements of the 26th District Agricultural Association (DAA), Amador County Fair, Plymouth, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Amador County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 26th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 26th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 26th DAA in a timely manner during the normal course of operations.



In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 26th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 26th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 26th DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, admissions revenue, and courtesy pass admissions. We have provided five recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 26th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An examination of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual statement of operations (STOP). The Fair did not reconcile amounts in its property ledger to the related general ledger accounts and therefore omitted recording all capital improvements. Our office noted \$354,232 worth of capital improvements that were not accounted for in the Fair's general ledger Account #192, Buildings and Improvements. In addition, \$281,201 of accumulated depreciation related to these fixed assets was not accounted for in Account #192.1, Accumulated Depreciation – Buildings and Improvements. The net result of these omissions is that the Fair's net resources were understated by \$73,031.

Recommendations

- 1. The Fair should make the necessary correcting journal entries to ensure the omitted assets are properly accounted for in its accounting records.*
- 2. Prior to closing the Fair's accounting records at year-end, the Fair should ensure that all fixed asset amounts and related depreciation expense amounts are reported correctly in year-end financial reports. Furthermore, fixed asset amounts in the property ledger should be reconciled to the related amounts in the general ledger. Any differences should be researched for their cause and corrected. This process will benefit the Fair, since it will result in the preparation of a more accurate STOP.*
- 3. The Fair should ensure a clear audit trail exists between amounts recorded for fixed assets on the property ledger, asset depreciation worksheets, general ledger, and STOP.*

ADMISSIONS REVENUE

The Fair exposed itself to loss by not depositing admissions revenues earned during fairtime intact. An audit of fairtime admissions revenue revealed that the 26th DAA withholds cash deposits from admissions revenue to augment their change fund for their automated teller machine (ATM). This practice is in violation of the State Administrative Manual (SAM) Section 8032.4, which prohibits the withholding of receipts for the purpose of augmenting a change fund. This is a prior year finding.

Recommendation

- 4. The 26th DAA should comply with SAM Section 8032.4 and deposit all cash receipts from admissions revenue intact. Establishing a change fund for the ATM should be an entirely separate accounting transaction.*

COURTESY PASS ADMISSIONS

Our office noted that the Fair exceeded the maximum number of courtesy passes that can be issued in one year. The Fair's courtesy pass admission percentage was 4.3% for 2007. Section 3026 of the Food and Agriculture Code restricts the percentage of courtesy pass admissions to less than 4% of the gross paid admissions to the fair in the preceding calendar year.

Recommendation

5. *The Fair should review its policy on the issuance of courtesy passes and ensure it adequately monitors the distribution of such tickets in order to meet the requirements of Food and Agriculture Code Section 3026.*

NON-REPORTABLE CONDITIONS

GENERAL EXPENDITURES

An examination of the general expenditures for 2007 by the 26th DAA revealed the following deficiencies:

- a. The Fair does not always require the Board of Directors or employees to complete a Travel Expense Claim (TEC) form when reimbursing for travel/training expenses. The TEC provides information regarding the purpose of the travel, the total expenses incurred, and the signatures of the claimant and the person approving the reimbursement.
- b. The 26th DAA used their CAL-Card (US Bank Visa) to pay for travel-related expenses during 2007, which is prohibited by the California Department of Food and Agriculture (CDFA).
- c. During 2007 the Fair exposed itself to a loss by requesting and obtaining bids from contractors to perform construction type improvements on the fairgrounds without preparing a STD 210, Short Form Contract for contracts under \$10,000, or a STD 213, Standard Agreement for contracts over \$10,000 for each of the contractors retained whose bid met the Fair's criteria.

Recommendations

The Fair should always require that travel and training expenses that are reimbursable be submitted by travel expense claim form, prior to reimbursement.

The Fair should discontinue using the CAL- Card (US Bank Visa) for travel-related expenses such as lodging, meals, and gasoline.

The Fair should require that all contractors retained to do improvements on the fairgrounds are contracted with the Fair on a STD 210 or STD 213 based on the dollar value of their services, as a way to protect the Fair's interests.

ACCOUNTING FOR TEMPORARY PERSONNEL

Upon review of the temporary employees remunerated by the 26th DAA in 2007 our office noted the following deficiencies:

- a. The 26th DAA allowed two temporary employees to work in excess of the 119-day limitation within a calendar year. The two employees worked 138 and 123 days in 2007. According to CDFA Fairs & Exposition's Accounting Procedure Manual (APM) Section 3 § 4.34 temporary employees may not work more than 119 days in a calendar year. This was a prior year audit finding.
- b. The Fair allowed one temporary employee to work 1,067 hours within the State of California fiscal year 2006/2007, exceeding the 1,000 hour limitation whereby the

Fair is required to establish a Cal PERS account for that employee. The Fair had not established the Cal PERS account for said employee as of December 31, 2007.

- c. In 2007 the Fair created temporary employee contracts for some of its more supervisory temporary employee positions during fair-time, stating a lump sum payment for services rendered in lieu of an hourly rate. Although the temporary employee contract does specify the dates for services to be performed, the Fair does not require these temporary employees to maintain time cards so as to provide verification that the Fair is remunerating their temporary employees within State of California acceptable salary ranges.
- d. The 26th DAA remitted a Form W-2 to its concessions manager in 2007, after having created a STD 210 for personal services and not requiring the concessions manager to submit a Form W-4 and Form I-9, which are mandatory requirements for an employee. When reporting the earnings of an independent contractor the Fair is required to report earnings of \$600 or more in a calendar year on a Form 1099-MISC, and the contractor would be responsible for all taxes due on their earnings.

Recommendations

The Fair should continue to monitor the number of days worked by temporary employees to ensure that the 119-day limitation is not exceeded. In addition, the Fair should comply with the APM by ensuring temporary employees do not work in excess of the 119-day limitation.

The Fair should comply with the requirement to establish a Cal PERS account for the employee who exceeded the 1,000-hour limitation within the fiscal year 2006/2007.

The Fair should comply with the APM Chapter 4 § 4.1, which indicates that time cards should be maintained for all employees.

The Fair should determine the employment status of an employee or independent contractor and not deviate from that determination, as there are specific documentation and reporting requirements for employees that do not coincide with those of an independent contractor, and vice versa.

STANDARD 210 AGREEMENTS

In reviewing the Standard 210 agreements, our office noted the Fair did not prepare a Form 1099, Miscellaneous Income, for an independent contractor who received \$5,400 from the Fair in 2007. When required, a Form 1099-MISC should be prepared for each person who receives \$600 or more from the Fair.

Recommendation

The Fair should comply with federal and State of California reporting laws to ensure that a Form 1099-MISC is issued when required, to all independent contractors who receive \$600 or more from the Fair within a calendar year

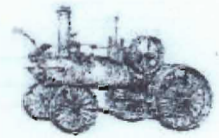
DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



amador county fair

26th district agricultural association

"To Forever Enhance Our Standard as the #1 Small County Fair"



August 11, 2008

Ron Shackelford, CPA
Chief, Audit Office
California Department of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford,

As required, following is the response to your Reportable Conditions in the management portion of your audit of financial records of the 26th District Agricultural Association (DAA), Amador County Fair, for the fiscal year ended December 31, 2007.

ACCOUNTING FOR FIXED ASSETS

An examination of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual statement of operations (STOP). The fair did not reconcile amounts in its property ledger to the related general ledger accounts and therefore omitted recording all capital improvements. Your office noted \$354,232 worth of capital improvements that were not accounted for in the Fair's general ledger Account #192, Buildings and Improvements. In addition, \$281,201 of accumulated depreciation related to these fixed assets was not accounted for in Account #192.1, Accumulated Depreciation – Buildings and Improvements. The net result of these omissions is that the Fair's net resources were understated by \$73,031.

Recommendations

1. *The Fair should make the necessary correcting journal entries to ensure the omitted assets are properly accounted for in its accounting records.*
2. *Prior to closing the Fair's accounting records at year-end, the Fair should ensure that all fixed asset amounts and related depreciation expense amounts are reported correctly in year-end financial reports. Furthermore, fixed asset amounts in the property ledger should be reconciled to the related amounts in the general ledger. Any differences should be researched for their cause and corrected. The process will benefit the Fair, since it will result in the preparation of a more accurate STOP.*
3. *The Fair should ensure a clear audit trail exists between amounts for fixed assets on the property ledger, asset depreciation worksheets, general ledger, and STOP.*

The Fair concurs with the recommendations and will work to correctly account for all fixed asset transactions prior to closing its accounting records and preparing the annual STOP.

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209-245-6921 □ Fax: 209-245-6923

www.amadorcountyfair.com

ADMISSION REVENUE

The Fair exposed itself to loss by not depositing admissions revenues earned during fairtime intact. An audit of fairtime admissions revenue revealed that the 26th DAA withholds cash deposits from admissions revenue to augment their change fund for their automated teller machine (ATM). This practice is in violation of the State Administrative Manual (SAM) Section 8032.4, which prohibits the withholding of receipts for the purpose of augmenting a change fund. This is a prior year finding.

Recommendation

4. *The 26th DAA should comply with SAM Section 8032.4 and deposit all cash receipts from admissions revenue intact. Establishing a change fund for the ATM should be an entirely separate accounting transaction.*

The Fair agrees with the findings and will establish a change fund for the ATM that will provide for an entirely separate accounting transaction.

COURTESY PASS ADMISSIONS

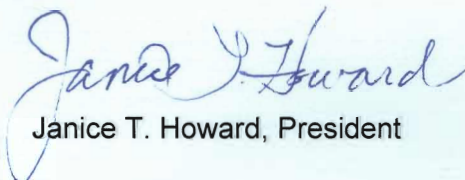
Your office noted that the Fair exceeded the maximum number of courtesy passes that can be issued in one year. The Fair's courtesy pass admission percentage was 4.3% for 2007. Section 3026 of the Food and Agriculture Code restricts the percentage of courtesy pass admissions to less than 4% of the gross paid admission to the fair in the preceding calendar year.


Recommendation

5. *The Fair should review its policy on the issuance of courtesy passes and ensure it adequately monitors the distribution of such tickets in order to meet the requirements of Food and Agriculture Code Section 3026.*

The Fair concurs and will review courtesy pass policy in an effort to comply with Food and Agriculture Code Section 3026.

Respectfully submitted,


Janice T. Howard, President


B. Troy Bowers, CEO

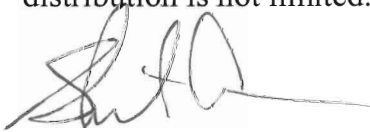
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 26th DAA, Amador County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between April 21, 2008 and May 5, 2008. My staff met with management on May 5, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal line extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

May 5, 2008

REPORT DISTRIBUTION

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| 1 | Chief Executive Officer, 26th DAA |
| 1 | Director, Division of Fairs and Expositions |
| 1 | Chief Counsel, CDFA Legal Office |
| 1 | Chief, CDFA Audit Office |